

The 2002 Linkage Excellence in Management & Leadership Series

Leading Change

Featuring John Kotter



Dear Participant

Welcome to Linkage's 2002 Excellence in Management and Leadership Series. Today's satellite broadcast on Leading Change features Professor John Kotter, widely recognized throughout the world as an expert on the topics of leadership and change. Professor Kotter will discuss key differentiators between leadership and management, and the skill sets organizations need for success in today's fast moving business environment.

John Kotter is the Konosuke Matsushita Professor of Leadership at the Harvard Business School. He is a graduate of MIT and Harvard and has been on the Harvard Business School faculty since 1972. His articles in the Harvard Business Review have sold a million and a half copies. An award winning best selling author, he has written over a half dozen books including: *Leading Change*, *Matsushita Leadership*, *John P. Kotter on What Leaders Really Do* and most recently *The Heart of Change*. He has also developed two acclaimed executive videos and an educational CD-ROM.

During today's program you will hear Professor Kotter discuss the traits of leadership and the ways in which leaders promote change. He will discuss the ways the leader's role is different from that of a manager's especially as their roles relate to organizational change.

Professor Kotter will also discuss the roles of leaders in a global economy. He will illustrate the need for a careful balance of different leadership and management behaviors. This balance is necessary to keep a company successful in the present while moving ahead to meet the demands of the "New Economy." Truly transformative leaders must be able to "unleash energy, liberate passions and astound and transform organizations."

Learning is an activity that requires more than passively watching a speaker. Simply watching today's program will neither instill leadership knowledge or skills, nor result in an immediate change in your organization's culture. These participant materials have been designed to complement your conversation with Professor Kotter. Use them to record your notes, ideas, questions and insights.

About Linkage

Linkage, Inc. is a leading provider of leadership and management development training programs, services, and products. More than 30,000 executives and management professionals have attended a Linkage institute, conference, workshop, or corporate education program. Linkage also provides assessment, consulting, and research services to Fortune 500 companies and other leading organizations. Founded in 1988, Linkage is headquartered in Lexington, Massachusetts, with regional offices located in Atlanta, Brussels, London, Minneapolis, and San Francisco. In both 1997 and 1998, Linkage was honored as one of the "Inc. 500 Fastest Growing Private Companies in the United States."

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SECTION 1

Satellite Program Materials

What You Will Learn

By participating in today's program with Professor John Kotter you will learn to:

- Recognize how leadership relates to change and how it must differentiate itself from management.
- Apply techniques and tips for leading change, regardless of whether you are leading from the top.
- Identify the critical elements of leadership.

Introduction and Basic Premises

Professor Kotter will explain the distinction he makes between the role of management and leadership. He will discuss the ways in which both leaders and managers help organizations to change and these different roles, he believes, are more than an issue of semantics. Leadership more than management drives the complex change process found in companies that excel in the "New Economy."

While leaders share a common set of traits and behaviors, the ability to lead can be learned and developed by identifying the gap between action and potential. Professor Kotter explains that all successful organizations need an effective balance between leadership and management skills. The right balance, Kotter believes, depends on a variety of factors including corporate culture, the nature of the business, and its problems.

Kotter maintains that balancing management and leadership in different ways can be effective. However, he believes that the pace and complexity of the "New Economy" has tipped the balance to make more leadership necessary in order for companies to be successful.

Professor Kotter believes that there are powerful forces driving economic and social change that demand more leadership. These forces for change, he feels, will not abate in the near future. Kotter will discuss these changes and their effect on the need for leadership.

The "relentless" forces for change will demand transformational leaders who can unleash more energy from employees. He will compare three leadership approaches/styles in the following arenas:

- Establishing a group's agenda
- Organizing to achieve the agenda
- Execution
- Results

Question-and-Answer Session

- If you are participating in the live presentation of this program, complete the fax form, send an e-mail or call in your questions to John Kotter using the question sheet on page 28.
- If you are participating in a post-broadcast program, share your questions with your seminar coordinator and your colleagues during that time.

NOTE: At John Kotter's request, the format for this program will have two major differences compared to past sessions in the Linkage Management and Leadership Series. First, a moderator will not be present during John Kotter's broadcast. Secondly, the Q&A session will be directed by John Kotter.

When the Session Has Concluded

- Your feedback is valuable in ensuring the integrity of future programs. We take pride in providing relevant, thought-provoking and enlightening programs - and we rely on you to help make this happen. Complete your participant evaluation form at:
http://www.linkageinc.com/training/satellites/satellite_evals.shtml
- To further reinforce your understanding of today's information, as well as hone other aspects of your leadership skills, complete the recommended Post-Presentation Activities that begin on page 21.

Pre-Presentation Activities

Read and/or review the following books and articles written by Professor Kotter:

- *The Heart of Change: Real-Life Stories of How People Change Organizations*. Co-Authored with Dan S. Cohen, Boston: Harvard Business School Press, 2002.
- *John P. Kotter on What Leaders Really Do*. Boston: Harvard Business School Press, 1999.
- *Matsushita Leadership: Lessons from the 20th Century's Most Remarkable Entrepreneur*. NY: Free Press, 1997.
- *Leading Change*. Boston: HBS Press, 1996.
- *The New Rules: How to Succeed in a Post-Corporate World*. NY: Free Press, 1995.
- *Corporate Culture and Performance*. NY: Free Press, 1992.
- *A Force for Change: How Leadership Differs from Management*. NY: Free Press, 1990.
- "Leading Change: Why Transformation Efforts Fail." Harvard Business Review, March-April, 1995.

Take time to read through Section 1: Satellite Program Materials prior to attending the program. Familiarizing yourself with the materials and information Professor Kotter will cover in the televised portion of the program will enhance your learning experience.

Activity

Define each of the following terms or phrases in your own words. Professor Kotter will use these terms and concepts in the presentation.

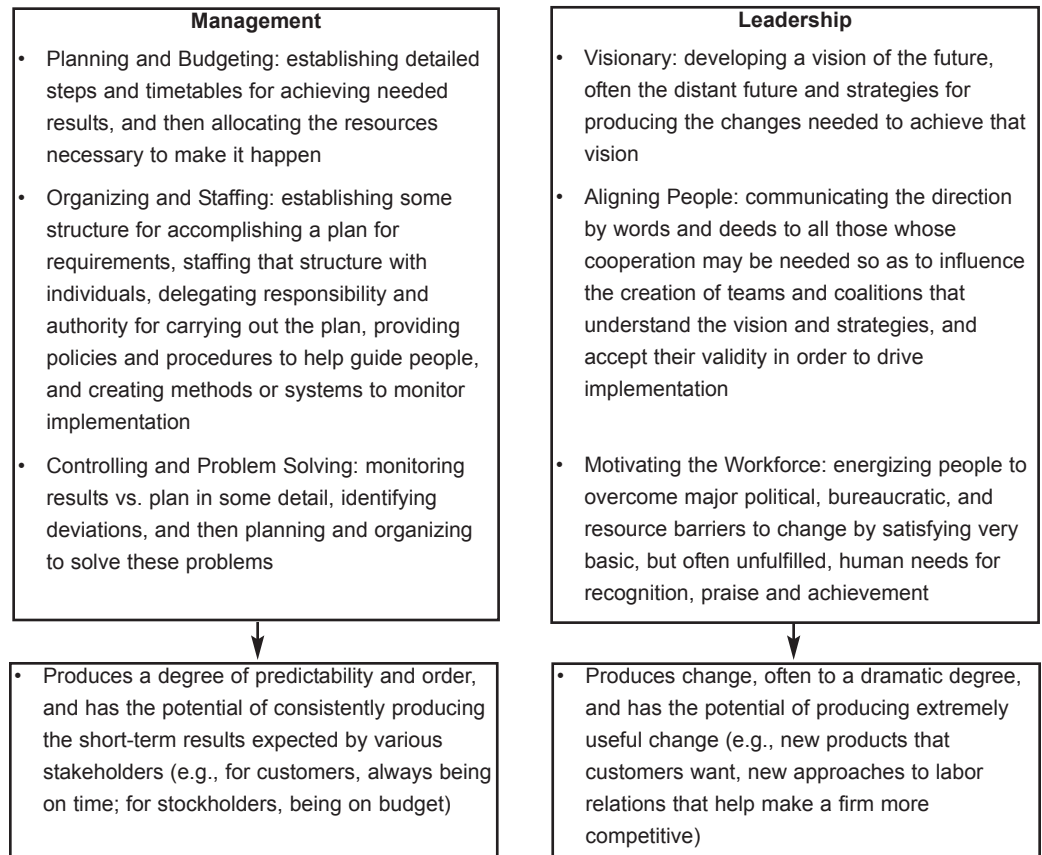
- Leadership
- Management
- Sense of urgency
- Aligned visions
- Leadership traits
- Transformational leadership

During This Program

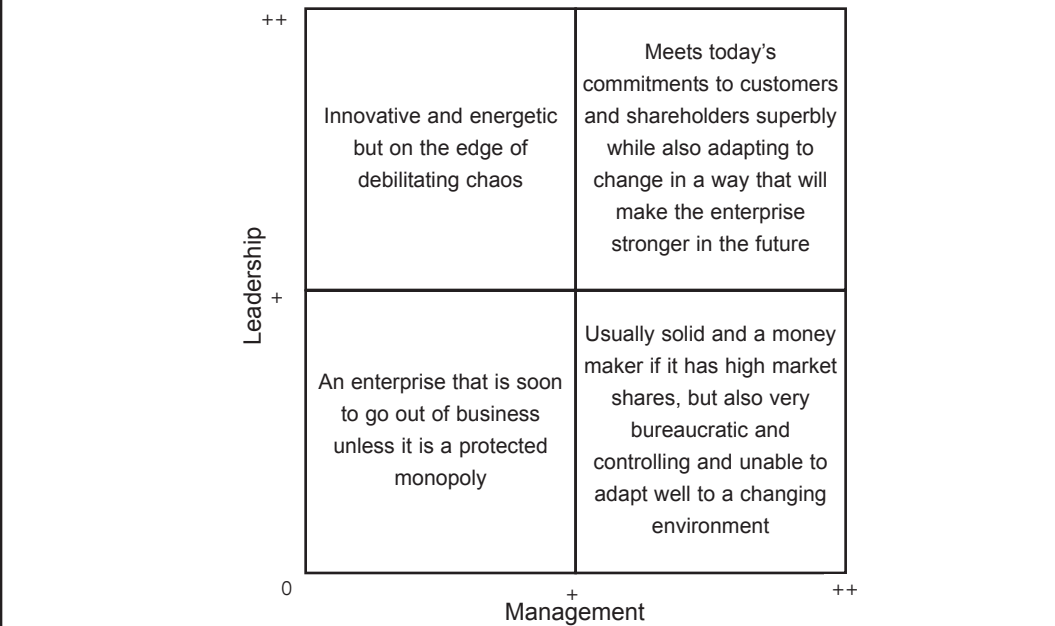
- Participate! Actively follow along by using these Participant Materials for your notes.
- Submit questions to be addressed by John Kotter by either phone, fax or email. Please use the form found on page 28.

Part I: Leadership vs. Management: Why the Distinction is Increasingly Important

Management is not leadership; the distinction is not just semantics and the implications are increasingly important in the "New Economy."

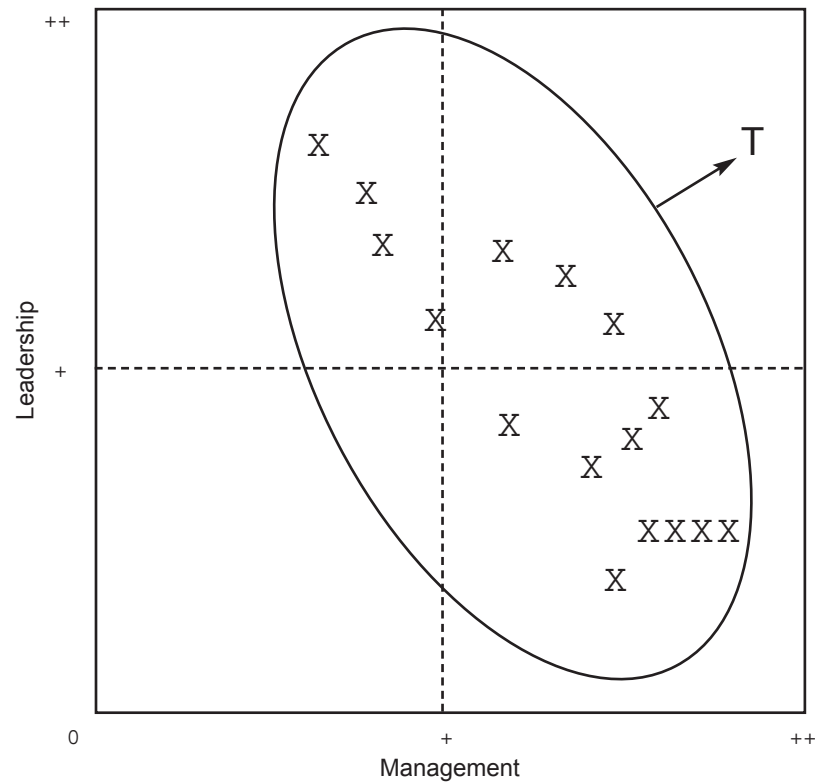


Increasing good leadership does not mean decreasing good management.

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Increasing good leadership and maintaining good management does not mean that all executives must be great leaders.

It means there must be great teamwork.



X = Managers/Executives

T = How the group acts when fused as a team

Multiple levels of leadership do not create chaos if there are overlapping, aligned visions.



Corporate vision that speaks to firm's competitive realities



Divisional visions that are compatible with corporate vision and speak to divisional businesses



Department visions that are compatible with corporate divisions' visions and speak to departmental issues

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on the right side, suggesting it's resting on a surface.

Firms with very distinguished histories can have insufficient leadership for a fast-changing world.

History

- Some combination of visionary entrepreneurship and/or luck creates and implements a very successful business strategy.
- A fairly *dominant position* is established in some market or markets.
- The firm experiences *much success* in terms of growth and profits.

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Consequences

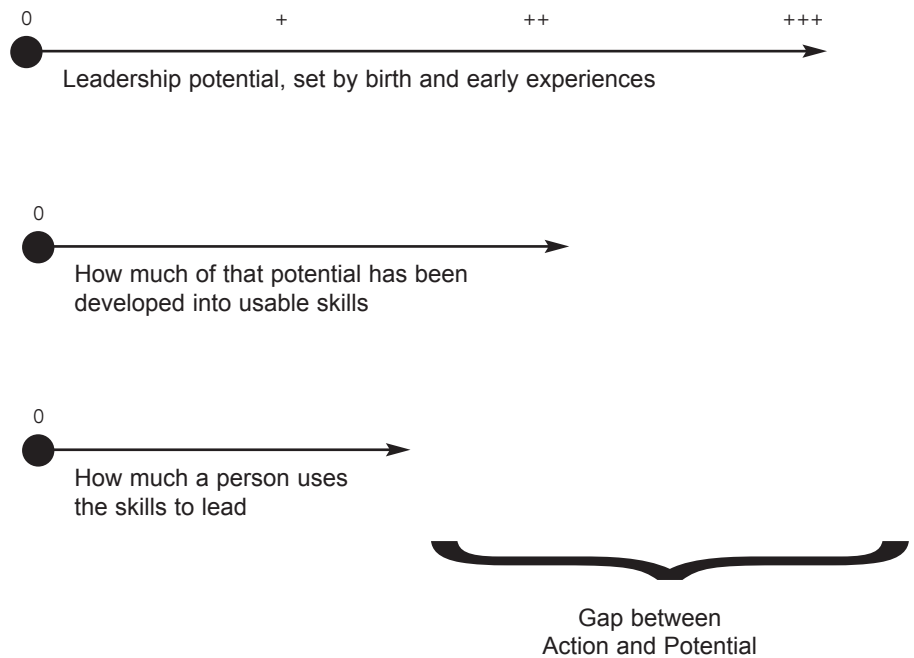
- The pressure comes mostly from inside the firm.
- The firm tends to hire and promote managers, not leaders, to manage growth, and to keep things from getting out of control.

- Consequences**

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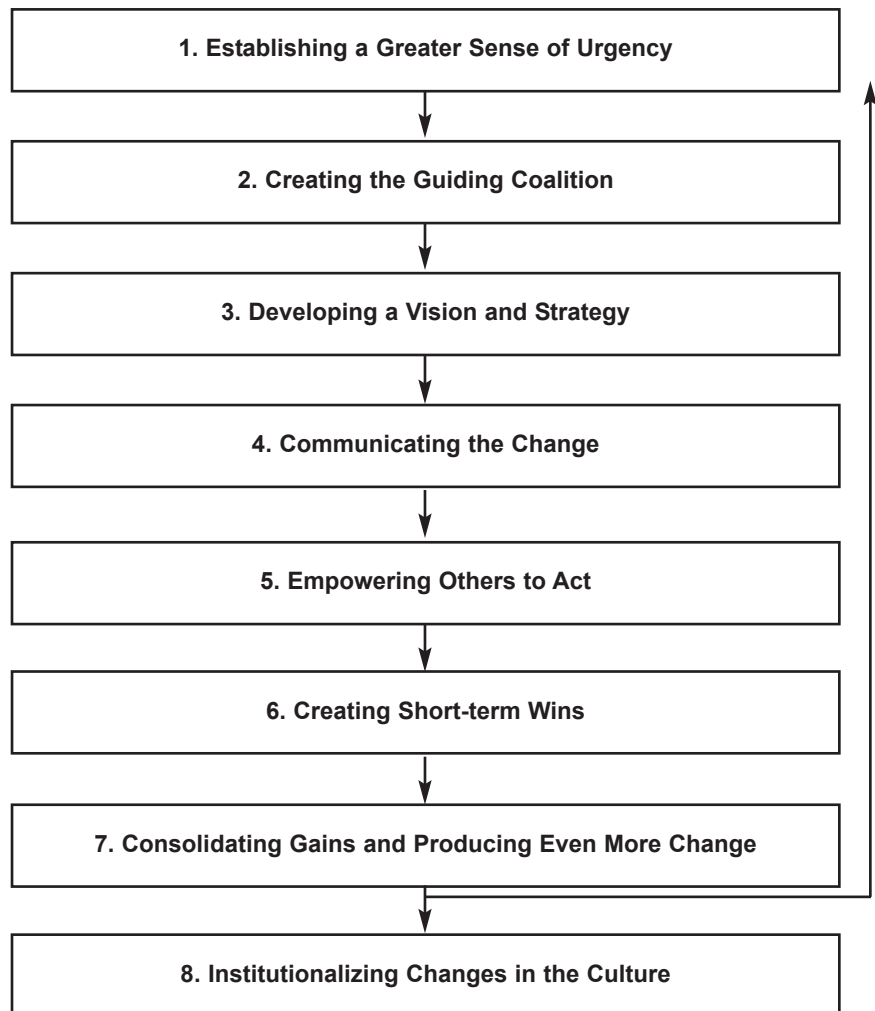
This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slight shadow on the right side, suggesting it's resting on a surface.

For most people there is a gap between the leadership they supply and the leadership that is possible:

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins, text, or other markings on the paper.

Part II: Leading Change: Why Transformations Succeed or Fail

Leadership more than management drives the complex change process found in firms that excel in a rapidly changing world.

Eight Stage Change Process

Part III: The Heart of Change

Reading: Gloves on the Boardroom Table

From Jon Stegnor

We had a problem with our whole purchasing process. I was convinced that a great deal of money was being wasted and would continue to be wasted into the future, and that we didn't even know how much money was being thrown away. I thought we had an opportunity to drive down purchasing costs not by 2 percent but by something in the order of \$1 billion over the next five years. A change this big meant a big shift in the process. This would not be possible, however, unless many people, especially in top management, saw the opportunity, which for the most part they did not. So nothing was happening.

To get a sense of the magnitude of the problem, I asked one of our summer students to do a small study of how much we pay for the different kinds of gloves used in our factories and how many different gloves we buy. I chose one item to keep it simple, something all the plants use and something we can all easily relate to.

When the student completed the project, she reported that our factories were purchasing 424 different kinds of gloves! Four hundred and twenty-four. Every factory had their own supplier and their own negotiated price. The same glove could cost \$5 at one factory and \$17 at another. Five dollars or even \$17 may not seem like much money, but we buy a lot of gloves, and this was just one example of our purchasing problem. When I examined what she had found, even I couldn't believe how bad it was.

The student was able to collect a sample of every one of the 424 gloves. She tagged each one with the price on it and the factory it was used in. Then she sorted the bags by division in the firm and type of glove.

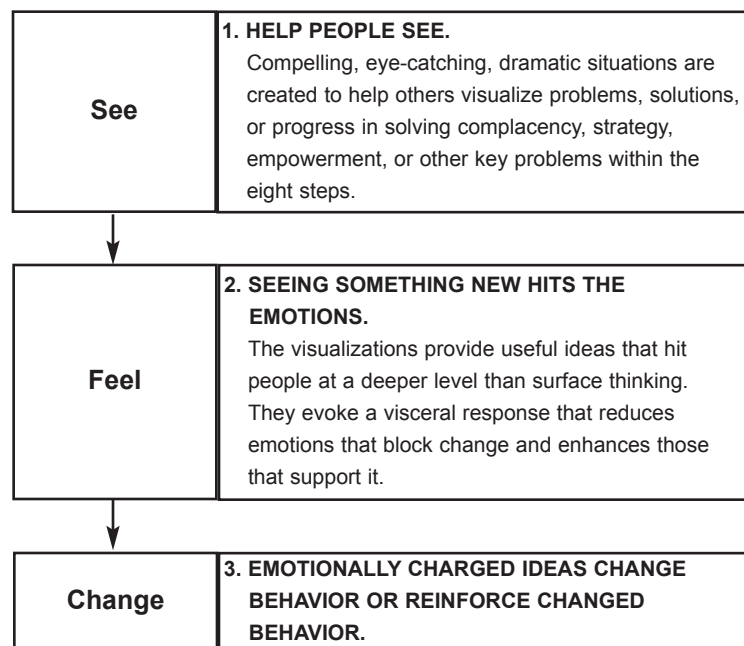
We gathered them all up and put them in our boardroom one day. Then we invited all the division presidents to come visit the room. What they saw was a large, expensive table, normally clean or with a few papers, now stacked high with gloves. Each of our executives stared at this display for a minute. Then each said something like, "We buy all these different kinds of gloves?" Well, as a matter of fact, yes we do. "Really?" Yes, really. Then they walked around the table. Most, I think, were looking for the gloves that their factories were using. They could see the prices. They looked at two gloves that seemed exactly alike, yet one was marked \$3.22 and the other \$10.55.

It's a rare event when these people don't have anything to say. But that day, they just stood with their mouths gaping.

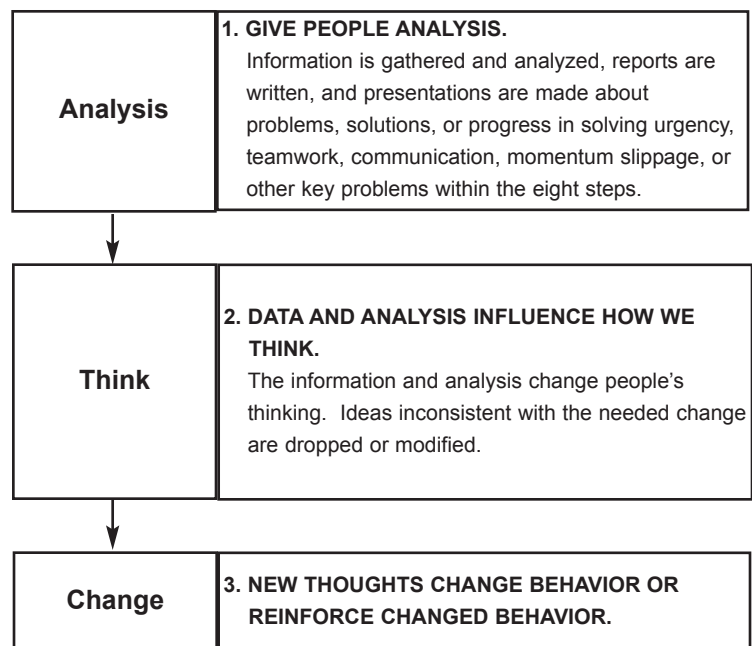
This demonstration quickly gained notoriety. The gloves became part of a traveling road show. They went to every division. They went to dozens of plants. Many, many people had the opportunity to look at the stacks of gloves. The road show reinforced at every level of the organization a sense of "this is how bad it is."

Through more research, again done quickly and inexpensively by one of our students, we discovered what some of our competitors were doing. The "competitive benchmarking" was added to the road show. As a result, we were given a mandate for change. People would say, "We must act now," which of course we did, and saved a great deal of money that could be used in much more sensible ways. Even today, people still talk about the glove story.

The Heart of the Matter is More:



The Heart of the Matter is Less:

[illegible]

The Eight Steps for Successful Large-Scale Change

Step	Action	New Behavior
1	Increase urgency	People start telling each other, "Let's go, we need to change things!"
2	Build the guiding team	A group powerful enough to guide a big change is formed and, they start to work together well.
3	Get the vision right	The guiding team develops the right vision and strategy for the change effort.
4	Communicate for buy-in	People begin to buy into the change, and this shows in their behavior.
5	Empower action	More people feel able to act, and do act, on the vision.
6	Create short-term wins	Momentum builds as people try to fulfill the vision, while fewer and fewer resist change.
7	Don't let up	People make wave after wave of changes until the vision is fulfilled.
8	Make change stick	New and winning behavior continues despite the pull of tradition, turnover of change leaders, etc.

[illegible]

Part IV: The Power to Astound: Leading to Win in a Time of Accelerating Speed and Great Turbulence.

Five Degrees of Change

1. Little Change: Making goods and services with long product life cycles.
2. Continuous improvement: Constant incremental changes in products and ways of operating.
3. Non-incremental change within businesses: In addition to 2, regularly introducing new product lines and significant improvements in how to run the business.
4. Whole new businesses: In addition to 2 and 3, inventing not just new product lines but new businesses.
5. Whole new business models: In addition to 2, 3, and 4, inventing not just new businesses but new economic and organizational models.

Winning in the past meant handling well #1 and #2 degrees of change.

- That required great management.

Winning now in most industries means handling 1, 2, and 3 degrees well.

- That requires both management and visionary leadership.

Sustaining success in the new economy means handling all 5 degrees well.

- That will require good management, visionary leadership, and a form of leadership that can unleash huge amounts of intellectual, physical and emotional energy.

Post-Presentation Activities

- Complete and submit the participant evaluation form, found at:
http://www.linkageinc.com/training/satellites/satellite_evals.shtml

Reflection: Presentation Summary

Answer the following questions to summarize the learning from John Kotter's presentation.

1. Define 3 differences between Management and Leadership as described by Kotter.

2. Describe the effects different management and leadership combinations have on an organization and the people who work in it.

3. Review the Eight Step Change Process Kotter developed. Write down a major activity that takes place at each stage.

1.

2.

3.

4.

5.

6.

7.

8.

4. Write down two (2) important points from John Kotter's discussion of balancing good management and good leadership.

5. Identify two (2) of the mechanisms utilized by companies to increase leadership.

Activity: Planning a Change

Consider a change you tried unsuccessfully to implement. Answer the following questions about the change:

1. Was a sense of urgency established?
2. Was the urgency used to build a powerful coalition to sponsor the change?
3. Was a shared vision created?
4. Was the vision communicated to the organization?
5. Were others provided the necessary skills, resources, and incentives that enabled them to act on the vision?
6. Were short-term wins planned for and created?
7. Was the change reinforced as a means to sustain it?

If you are unable to answer "yes" to one or more of these questions, you may have uncovered the reasons for the difficulties you have encountered. Test this diagnosis by discussing it with your colleagues or others who were involved in or affected by the change.

If the change is one you are currently implementing, adjust your plans to incorporate what you've learned.

Activity: Daily Practices

Many of us have an innate bias against change, whether because we fear it will impact our interests, because we are comfortable in our current routine, because we were not involved in designing the change, or for other reasons. While a certain level of caution is good, this bias against change can lead to missed opportunity and conflict with others.

One way to diagnose this bias in yourself is to monitor your first, instinctive response when you hear of any actual or proposed change. If you tend to think or speak first about the risks of the change, the difficulties involved in implementing the change, or the negative consequences of the change, you likely have this anti-change bias to one degree or another.

To begin moving toward a more balanced stance toward change, practice changing the questions you ask about changes:

- “How will this change benefit me?”
- “How will it benefit the organization?”
- “What will I/we learn from the change?”
- “What are the new opportunities opened up by the change?”

Often the single greatest obstacle to change is the perception of those affected by the change. Typically, resistance occurs when there is a perception that:

- The change harms people’s interests (by reducing power, affecting job security and/or income, and so on).
- The change is not being communicated honestly.

When communicating about a change, therefore, ask yourself:

- What’s in it for those affected by the change?
If the answer is “nothing,” expect resistance.
- Can I communicate honestly and completely about the change?
If the answer is “no,” expect resistance. People will fill in the information gaps with their own interpretations, which will usually be unfavorable to the change you wish to make.

Regularly read a high-quality newspaper, news journal, or business journal. Look for examples of change efforts, whether in the past or ongoing, successful or unsuccessful, and analyze them in terms of the eight stage change model. If the efforts are completed, try to identify what made them successful or unsuccessful; if they are in progress, try to predict their likelihood of success.

Activity: Interview a Colleague

Assign yourself the task of identifying a person in your organization who has been successful at implementing change. Interview this person and ask the following questions:

- What are the critical success factors for implementing change in this organization?
- What are the critical mistakes people tend to make when trying to implement change in this organization?
- Describe a change you implemented successfully and what made it successful.
- Describe a change you were unsuccessful in implementing and what made you unsuccessful.

You might also structure the conversation by asking the person to discuss a successful change in terms of the eight steps for implementing change from Kotter's model.

Readings and Other Self-Study Resources

- Block, Peter, *The Empowered Manager: Positive Political Skills at Work*. Jossey-Bass, 1990. Block shows managers how to break out of the bureaucratic mode of thinking and take more responsibility for the workings of their unit. He explains how managers can become empowered to make positive changes in their organization and develop an entrepreneurial spirit in themselves and in members of their unit.
- Cohen, Allan C., and David L. Bradford, *Influence without Authority*. John Wiley and Sons, 1990. The authors offer powerful new techniques for cutting through interpersonal and interdepartmental barriers, and for motivating people over whom you have no authority.
- Connor, Daryl, *Managing at the Speed of Change*. Villard Books, 1992. In today's world, it's not enough to recognize that you and the way you do business need to change. You must know how to make changes quickly, effectively, economically, and with as little political fallout as possible. Everywhere, concern is heard about those trying to adapt to the rapid flux created by an uncertain economy, ever-changing market demands, and the threat of international competition. The author teaches managers to negotiate these future transitions.
- Handy, Charles, *The Age of Paradox*. Harvard Business School Press, 1994. The author suggests that in order to live and succeed in a rapidly changing world, we must organize in our minds the

confusion generated by these changes before we can do anything about them. Managing business, family, education, money, and relationships are just some of the many topics covered. Through a discussion of these topics, strategies for maintaining a sense of continuity and direction and balancing personal and professional responsibilities are provided.

- Kanter, Rosabeth Moss, *The Change Masters*. Simon and Schuster, 1983. This book vividly demonstrates that when environments and structures are hospitable to innovation, people's natural inventiveness and power skills can make almost anything happen. Kanter's book is an indispensable guide for individuals who seek to realize their entrepreneurial potential, for corporate leaders who want to see their companies grow, and for all those concerned with the economic future of the nation. Included are searches for innovation by companies such as Hewlett-Packard, General Electric, Polaroid, General Motors, and Honeywell.
- Machiavelli, Niccolo, *The Prince*. Prometheus Books, 1986. Although writing for the leaders of rough-and-tumble Renaissance Italy, Machiavelli offers much of value to the modern leader, both in positive and negative models of how to influence large groups under complex circumstances.
- O'Toole, J., *Leading Change*. Ballantine Books, 1996. True leaders lead by encouraging, not oppressing. And the finest leaders have always shared leadership with their followers. Rather than dictating, they create organizations that welcome change and self-reevaluation, and they foster an atmosphere of open-mindedness and fresh thinking. This book proposes a new vision of leadership, one rooted in moral values and a consistent display of respect for all followers.
- Smith, Douglas K., *Taking Charge of Change*. Addison-Wesley, 1996. This book provides deep insight into organizational psychology and practical steps for mastering it. The author discusses the diagnostic tools needed to assess an organization's particular needs for change and provides the tool kit required to implement the changes.
- Troy, Kathryn, *Change Management: Communication's Pivotal Role*. The Conference Board, 1995. To deal with the challenges of communicating effectively in a fast-changing business environment, companies are taking several initiatives. Most notably, they are working to better define audiences and messages, develop the communication capabilities of managers and employees, and use emerging technologies to maximum advantage. This study documents their progress to date and discusses how to implement change strategies and measure

results. It is based on a survey of 130 U.S. and European companies and contains nine company exhibits.

Professor Kotter is the author of the following books and other material.

Books

- *The Heart of Change*, Boston: Harvard Business School Press, 2002.
- *John P. Kotter On What Leaders Really Do*, Boston: Harvard Business School Press, 1999.
- *Matsushita Leadership: Lessons from the 20th Century's Most Remarkable Entrepreneur*, NY: Free Press, 1997.
- *Leading Change*, Boston: HBS Press, 1996.
- *The New Rules: How to Succeed in a Post-Corporate World*, NY: Free Press, 1995.
- *Corporate Culture and Performance*, NY: Free Press, 1992.
- *A Force for Change: How Leadership Differs From Management*, NY: Free Press, 1990.

Videos

- *Corporate Culture and Performance*, Bensonville, IL: LearnCom, 1993.
- *Leadership*, Bensonville, IL: LearnCom, 1991.

CD-ROM

- *Realizing Change*, Boston: HBS Publishing, 1997.

Websites

- JohnKotter.com
- TheHeartofChange.com

SECTION 2

Forms

Question Sheet

Use this form to write your question for John Kotter or for discussion among your colleagues. Please write clearly.

Name (optional)

Organization

Location

Your question (25 words or fewer):

Fax 1-877-892-0170 (from within U.S.)
646-349-3661 (from outside U.S.)

Email leadership2002@linkage-inc.com

Tel 1-800-489-8814 (from within U.S.)
801-303-7412 (from outside U.S.)